



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

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SETTLEMENT IN MATHON FUNDS CASE CLEARS FIRST HURDLE

PHOENIX – As a trial of the men behind the nation’s largest affinity fraud winds down – the case involving senior management at the Baptist Foundation of Arizona – a settlement was reached in another case of alleged affinity fraud. The Commissioners today approved the framework of a settlement in a civil suit that will return money to investors in the Mathon Fund case. The men behind Mathon, 35-year-old Duane Slade and 34-year-old Guy Andrew Williams, raised the funds through their Mesa companies, Slade Williams and Associates and Mathon Management Company.

The defendants agreed to entry of a judgment of over \$76.4 million and to pay \$750,000 in penalties for fraudulently selling investments. The restitution amount represents the total still owed to investors. Records show at least 255 people invested over \$167 million in the Mathon entities. Some investors received proceeds from their investments, prior to the Commission’s action.

Slade and Williams neither admitted nor denied the Commission’s allegations but agreed to the entry of the judgment.

In its investigation, the Arizona Corporation Commission’s Securities Division found that a large number of the investors in the case were members of the same faith and characterized the Mathon program as a case of “affinity fraud.”

“When you are approached to invest or support a cause by a fellow church member or member of your same ethnic group, you feel an immediate connection with that person – he or she shares a common bond – and trust soon follows,” Commission Chairman Jeff Hatch-Miller said. “We caution people to

investigate, ask questions and check the facts before handing over their savings.”

In April 2005, the Commission filed a lawsuit in Maricopa County Superior Court against the defendants and 56 entities, alleging securities fraud and requesting the appointment of a receiver to protect assets for the investors. Maricopa County Superior Court Judge Barry Schneider appointed a receiver and issued a temporary restraining order against the defendants. Subsequently, by stipulation, the receivership was changed in name to a conservatorship.

The Commission and the court-appointed Conservator, James Sell, charged that the investment program was a Ponzi scheme, whereby new investors are recruited and their funds are used to pay earlier investors. Sell explained to the Commissioners how this case resembled a Ponzi scheme based on his examination of how the money was handled.

“The Commission’s swift action resulted in the preservation and recovery of assets for the investors,” Commissioner Bill Mundell said. “Before the money can be returned to investors, the Superior Court and Bankruptcy Court must approve the distribution plan.”

“The certainty, finality and prompt resolution of this case weighs in favor of a settlement,” Commissioner Marc Spitzer said. “Allowing the case to drag on means that the attorneys might be enriched at the expense of the investors and that would be unjust. This is a unique case where a bankruptcy and settlement actually benefit the investors.”

“The defendants will sign and file sworn financial statements,” Commissioner Mike Gleason said. “This will help the Commission and the courts determine what additional assets could be sold off repay investors.”

The final settlement framework will be submitted to Maricopa Superior Court Judge Barry C. Schneider for approval. They also must be approved by U.S. Bankruptcy Court Judge George B. Nielsen, Jr. and enough investors to equal 90 percent or more of the total amount of the claims of the participating investors.

“We have cleared the first hurdle in this complex case and secured money for the investors without

having to go through a long and intense trial,” Commissioner Kris Mayes said. “I’m not the biggest fan of settlements but when you can secure a large amount of money for investors, uphold the laws of the state and hold people accountable for their actions, I think the Mathon settlement is in the public interest.”

The Commissioners thanked the Securities Division, the Conservator and the official investors committee for resolving this case for the benefit of investors.

The text of the stipulation and related documents will be posted at <http://www.ccsd.cc.state.az.us/enforcement/enforce-orders.asp>. The docket number assigned to the Civil case filed at Maricopa County Superior Court is CV2005-005484.